

Testimony of First Selectman Gayle Weinstein
To the Labor Committee

Re: HB Bill 5533

February 26, 2013

Approximately 98 municipalities and quasi-public agencies participate in the Municipal Employee Retirement Plan (MERS). MERS does not receive any state funding. It is financed through employer contributions, employee contributions, and fund earnings and is administered through the State Comptroller's Office.

When MERS was established, the State Legislature authorized The State Employees Retirement Commission (SERC) to increase contribution rates as necessary on the employer, but reserved the right to increase employees' contributions. In other words, while the employer share can quite easily be changed, it takes a legislative act to raise the employee's share.

Extensive benefit enhancements in MERS were adopted by the Legislature in 2001 (Public Act 01-80). These included a reduction in the vesting period from 10 years to 5, and an increase in the annual service award from 1.167% per year of service to 1.5%. In this single action, benefit levels for most participants were increased by 28%. Despite this significant benefit increases for plan participants, their contribution rates did not rise. The costs associated with the addition of these enhanced benefits were passed on exclusively to the employer. Therefore, costs have skewed tremendously onto the municipalities.

In the past 12 years, SERC has increased contribution rates for municipalities participating in MERS 11 times, and the State Legislature has never increased the employee's share. In 2002, the Town contribution for non-public safety personnel was 2.75% and this July that will rise to 11.98% a 436 % increase. In 2002, the Town contribution for public safety personnel was 3.75% and will rise to 16.96% a 452 % increase in July.

A more dramatic shift is realized when you look at the change of contribution ratios over the past 10 years. In 2002, the employer-employee contribution ratio was 55% municipality/45% employee. In July, 2013, it will become 82% municipality/18%

employee for all non public safety employees. For Police and Fire, the contribution ratios were 62%/38% in 2002 and will now be 88/12%. I do not believe that this is consistent with the original intent when the plan was established.

The dramatic cost increases presented above, clearly show the tremendous negative financial impact that the Legislature's mandated benefit and contribution levels continue to have on Connecticut municipalities. I ask that you to review the employee contribution rate, and authorize an increase in this contribution level. This is necessary for two reasons. First, it will ensure that the MERS system can remain financially solvent. Second, it will correct a funding imbalance that has developed over the past decade. Long ago, the Legislature recognized the need to create a new benefit tier for its own State employee pension plan. I also ask that you to extend that same relief to municipalities.